



U.S. Small Business Administration
Office of Inspector General

Memorandum

To: Darryl K. Hairston
Associate Administrator, Office of Management
Administration

Date: April 9, 2010

From: /s/ Original Signed
Debra S. Ritt
Assistant Inspector General for Auditing

Subject: Memorandum on the Adequacy of Procurement Staffing and Oversight of Contractors
Supporting the Procurement Function
ROM-10-13

This memorandum addresses concerns about the Office of Business Operations' (OBO) ability to effectively procure, award, and manage Recovery Act and non-Recovery Act contracts. OBO is responsible for planning, executing, and supporting the Small Business Administration's (SBA) procurement activities. We are bringing these concerns to your attention to preemptively address issues regarding qualified personnel overseeing Recovery Act funds. These issues came to our attention during recent audits of Recovery Act contracts.

Office of Management and Budget (OMB) guidance on implementing the American Recovery and Reinvestment Act¹ requires heightened management attention on acquisition planning and that agencies apply sufficient and adequately trained workforce to responsibly plan, evaluate, award, and monitor contracts. Without an adequate workforce to manage and oversee the contracted projects, there is an increased risk of poor project outcomes and vulnerability to fraud, waste, and abuse.

In responding to a survey administered by the Recovery Accountability and Transparency Board on contracts and grants workforce staffing and qualifications, the Agency reported that as of June 30, 2009, it had 13 contracting personnel – 5 contracting officers, 5 contract specialists, and 3 support contractors – to

¹OMB Memoranda, *Initial Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, February 18, 2009, and *Updated Implementing Guidance for the American Recovery and Reinvestment Act of 2009*, April 3, 2009.

award and administer both Recovery Act and non-Recovery Act contracts. Six of the 13 contracting personnel were assigned to Recovery Act contracts. At the time of the survey, the Agency reported that it had awarded 4 Recovery Act contracts and processed approximately 390 non-Recovery Act contract actions. However, since that time the Agency's contracting workload has increased significantly while the number of contracting personnel has decreased significantly. As of February 2010, SBA has awarded 29 Recovery Act contracts² and processed 740 non-Recovery Act contract actions.³ The number of contracting personnel supporting those actions decreased from 13 to 7. Currently, SBA has 3 contracting officers, 2 contract specialists, and 2 support contractors to administer the increased workload of Recovery Act and non-Recovery Act contracts.

We believe that the current workforce is insufficient to effectively award, administer, and oversee Recovery Act contracts as well as the other contracts managed by OBO. Without adequate staff to perform contract execution, administration functions, and to oversee the contractors supporting OBO, the Agency is exposed to increased risk for mismanagement, improper payments, fraud, waste, and abuse.

SBA has also been without a Director for OBO since November 2009, who also serves as SBA's Senior Procurement Executive, a key position within the Agency. Currently, the Chief for Financial and Administrative Operations is serving as the Acting Director for OBO, in addition to performing his usual duties as the Chief for Financial and Administrative Operations. According to the Acting Director, he does not have sufficient contracting knowledge to effectively oversee the management and execution of contracts to mitigate the risk of mismanagement and protect taxpayer dollars. Furthermore, because he is performing two different jobs, he has less time to provide direction over OBO's daily operations, including the administration and oversight of procurement functions.

We are aware that the Agency is attempting to fill the positions vacated by contracting staff and the Director for OBO; however, due to the time required to fill these positions, the Agency may be without sufficient contracting officers for several months at a time when the Agency is faced with a growing volume of Recovery Act and other contract actions. Consequently, SBA will not be able to provide heightened management attention of Recovery Act contracts, as required by OMB, or be able to effectively oversee other contracting activity. Therefore,

² Recovery Act contract award data was extracted from Recovery.gov on February 26, 2010. Contract award data includes only contracts reported between July 1, 2009 and February 26, 2010.

³ Non-Recovery Act contract action data was extracted from the Federal Procurement Database System – Next Generation on February 24, 2010. Non-Recovery Act contract actions include all actions reported between July 1, 2009 and February 24, 2010.

the Agency needs to develop an interim solution for augmenting its acquisition workforce to meet the Recovery Act and regular contracting demands. One solution may be to use another agency's contracting services on a cost-reimbursable basis.

RECOMMENDATIONS

We recommend that the Associate Administrator for Management and Administration:

1. Identify and implement an interim solution to augment its acquisition workforce until permanent staff are hired to ensure that the Agency has adequate oversight of the procurement function and the contracting personnel that support it.

AGENCY COMMENTS AND OFFICE OF INSPECTOR GENERAL RESPONSE

On March 18, 2010, we provided a draft of the report to SBA's Office of Management and Administration for comment. On April 5, 2010, the Associate Administrator for the Office of Management and Administration provided written comments, which are contained in their entirety in Appendix I.

The Associate Administrator agreed with the recommendation and stated that the Office of Management and Administration is retaining five additional support contractors; and will continue to monitor and adjust the workload as necessary. The Associate Administrator emphasized that SBA intends to take the steps necessary in creating and maintaining the skilled acquisition workforce necessary in accomplishing the Agency's mission.

The Associate Administrator's comments were responsive to the recommendation.

ACTIONS REQUIRED

Please provide your management decision for each recommendation on the attached SBA Form(s) 1824, *Recommendation Action Sheet*, within 15 days from the date of this memorandum. Your decision should identify the specific action(s) taken or planned for each recommendation and the target date(s) for completion.

We appreciate the courtesies and cooperation of the Small Business Administration during this review. If you have any questions concerning this report, please call me at (202) 205-[FOIA ex. 2] or Riccardo R. Buglisi, Director, Business Development Programs Group, at (202) 205-[FOIA ex. 2]

APPENDIX I. MANAGEMENT COMMENTS



U.S. SMALL BUSINESS ADMINISTRATION
WASHINGTON, D.C. 20416

DATE: April 5, 2010

TO: Debra S. Ritt
Assistant Inspector General for Auditing

FROM: Darryl K. Hairston
Associate Administrator
Office of Management and Administration

SUBJECT: Draft Memorandum on the Adequacy of Procurement Staffing and Oversight of Contractors Supporting the Procurement Function

Thank you for providing the opportunity to comment on this draft report.

The Small Business Administration is committed to recruiting and retaining a capable and competent workforce. The personnel who support the SBA acquisition system play a key role in strengthening SBA's core programs to ensure that they are high performing, effective, and relevant to the needs of the Agency's mission, as well as the small business community.

Following are the Agency's responses to the IG's recommendations:

Recommendation # 1 – Identify and implement an interim solution to augment its acquisition workforce until permanent staff are hired to ensure that the Agency has adequate oversight of the procurement function and the contracting personnel that support it.

We agree with this recommendation and have taken steps to address the noted concerns. As is noted in the draft report, the Office of Business Operations currently has three contracting officers and two contract specialists to administer the Agency's acquisition workload, both recovery and non-recovery. Additionally, there are two support contractors, one of which is dedicated to processing Recovery Act contract actions.

To further support this mission critical activity and address the workload demands, we are currently in the process of retaining five additional support contractors. Of the five, two will be dedicated to administering Recovery Act acquisitions and the

remaining three will support the non-Recovery Act workload. We will continue to monitor the workload and make further adjustments as necessary.

Ensuring the proper oversight of the acquisition activity and its personnel is a critical function. We will identify and detail an existing Agency official possessing the appropriate credentials to fulfill this important role.

SBA fully intends to take the steps necessary to create and maintain an acquisition workforce with the skills necessary to timely deliver best-value supplies and services, find the best business solutions, and provide strategic business advice to accomplish the Agency's mission. By doing so, we will ultimately optimize our core operations.

Thank you again for your review.